

TAMWEEL AI OULA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAMWEEL AL OULA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Tamweel Al Oula Company ("the Company") as at 30 September 2021, and the related interim condensed statements of profit or loss and other comprehensive income, for the three-month and nine-month periods ended 30 September 2021, and the related interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Al-Afaliq
Certified Public Accountant
Registration No. 422



22 Rabi' Al-Awwal 1443H
28 October 2021

Al Khobar

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2021

	<i>Three-months period ended 30 September</i>		<i>Nine-months period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
REVENUE				
Revenue from operations	31,128,954	11,853,468	96,343,914	32,684,629
Revenue from other activities	6,933,966	3,770,525	20,089,337	7,130,996
TOTAL REVENUE	38,062,920	15,623,993	116,433,251	39,815,625
EXPENSES				
Finance costs and bank charges	(9,601,242)	(2,669,015)	(23,761,742)	(5,729,707)
Insurance expenses for finance leasing activities	(2,275,110)	(971,180)	(7,236,362)	(3,224,084)
Salaries and employees' related expenses	(7,067,828)	(5,183,759)	(19,017,364)	(14,033,638)
Short-term lease	-	(8,250)	(16,500)	(48,750)
Depreciation and amortisation	(867,072)	(742,571)	(2,344,348)	(1,962,373)
Charge of expected credit losses on investment in Islamic finance receivables	5 (6,005,816)	(2,410,234)	(22,975,225)	(5,663,741)
Other general and administrative expenses	(3,355,937)	(2,971,291)	(9,536,664)	(6,883,033)
TOTAL EXPENSES	(29,173,005)	(14,956,300)	(84,888,205)	(37,545,326)
PROFIT BEFORE ZAKAT	8,889,915	667,693	31,545,046	2,270,299
Zakat	(916,728)	(137,705)	(3,252,925)	(468,226)
PROFIT FOR THE PERIOD	7,973,187	529,988	28,292,121	1,802,073
OTHER COMPREHENSIVE INCOME				
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,973,187	529,988	28,292,121	1,802,073

The attached notes 1 to 10 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Note</i>	<i>30 September 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Net investment in Islamic finance receivables	5	860,234,521	539,544,935
Property and equipment		2,477,673	1,011,813
Right-of-use assets		1,992,660	1,113,247
Intangible assets		2,019,610	2,044,993
Equity investment at fair value through other comprehensive income "OCI"		892,850	892,850
TOTAL NON-CURRENT ASSETS		867,617,314	544,607,838
CURRENT ASSETS			
Net investment in Islamic finance receivables - Current	5	597,990,452	392,180,423
Prepayments and other receivables		62,083,637	2,928,836
Cash and cash equivalents		119,046,285	105,446,985
TOTAL CURRENT ASSETS		779,120,374	500,556,244
TOTAL ASSETS		1,646,737,688	1,045,164,082
EQUITY AND LIABILITIES			
EQUITY			
Share capital		250,000,000	250,000,000
Statutory reserve		6,732,313	6,732,313
Retained earnings		44,064,334	15,772,213
TOTAL EQUITY		300,796,647	272,504,526
NON-CURRENT LIABILITIES			
Loans and borrowings	7	721,550,829	394,518,316
Government grant	7	37,377,548	18,764,791
Non-current portion of lease liabilities		332,217	-
Employees' defined benefits liabilities		5,282,561	4,506,717
TOTAL NON-CURRENT LIABILITIES		764,543,155	417,789,824
CURRENT LIABILITIES			
Accounts payable		128,752,283	55,631,399
Loans and borrowings - current	7	424,662,034	288,190,939
Amounts due to related parties	6	2,379,057	6,832,919
Lease liabilities - current		618,127	252,231
Accrued expenses and other liabilities		21,734,668	3,500,537
Provision for zakat		3,251,717	461,707
TOTAL CURRENT LIABILITIES		581,397,886	354,869,732
TOTAL LIABILITIES		1,345,941,041	772,659,556
TOTAL EQUITY AND LIABILITIES		1,646,737,688	1,045,164,082

The attached notes 1 to 10 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2021

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2020 (audited)	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the period	-	-	1,802,073	1,802,073
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	1,802,073	1,802,073
As at 30 September 2020 (unaudited)	250,000,000	6,554,603	16,276,408	272,831,011
As at 1 January 2021(audited)	250,000,000	6,732,313	15,772,213	272,504,526
Profit for the period	-	-	28,292,121	28,292,121
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	28,292,121	28,292,121
As at 30 September 2021 (unaudited)	250,000,000	6,732,313	44,064,334	300,796,647

The attached notes 1 to 10 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2021

	<i>Nine-months period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit before zakat	31,545,046	2,270,299
<i>Adjustments to reconcile profit before zakat to net cashflow:</i>		
Depreciation and amortisation	1,282,622	1,062,694
Depreciation of right-of-use assets	1,061,726	899,679
Finance costs and bank charges	23,761,742	5,729,707
Employees' defined benefits liabilities, charged	998,037	669,183
Charge of expected credit loss on investment in Islamic finance receivables	22,975,225	5,663,741
Loss on modification of net investment in Islamic finance lease receivables	20,072,570	4,040,396
Modification gain on deferred payments program	(17,505,256)	(4,287,146)
Grant income realised	(25,379,479)	(5,760,844)
	58,812,233	10,287,709
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	(549,474,840)	(319,630,342)
Prepayments and other receivables	11,041,861	(12,810,361)
Amounts due to related parties	(4,453,862)	(7,051,936)
Accounts payable	73,120,884	37,454,590
Accruals and other current liabilities	18,234,131	10,694,075
Cash used in operations	(392,719,593)	(281,056,265)
Employees' defined benefits liabilities, paid	(222,193)	(304,330)
Finance costs and bank charges paid	(4,186,326)	(1,912,742)
Zakat paid	(462,915)	(990,297)
Net cash used in operating activities	(397,591,027)	(284,263,634)
INVESTING ACTIVITY		
Purchase of property and equipment	(2,723,100)	(710,918)
Net cash used in an investing activity	(2,723,100)	(710,918)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	618,973,292	367,677,161
Repayment of loans and borrowings	(203,816,839)	(43,006,627)
Payment of lease liabilities	(1,243,026)	(1,007,658)
Net cash from financing activities	413,913,427	323,662,876
INCREASE IN CASH AND CASH EQUIVALENTS	13,599,300	38,688,324
Cash and cash equivalents at the beginning of the period	105,446,985	13,715,010
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	119,046,285	52,403,334

The attached notes 1 to 10 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2021

1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015).

The Company is engaged in providing financial leasing in addition to financing production assets and offering consumer finance in accordance with the license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Central Bank ("SAMA").

The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

<i>Commercial Registration Name</i>	<i>Number</i>	<i>Location</i>	<i>Date</i>
Tamweel Al Oula - Branch	2051065442	Al Khobar	17 Rabi' II 1439H
Tamweel Al Oula - Branch	2252101795	Al Hasa	10 Dhu Al Hijjah 1439H
Tamweel Al Oula - Branch	1010691639	Riyadh	19 Rajab 1442H
Tamweel Al Oula - Branch	4030416683	Jeddah	14 Shawwal 1442H

The authorised, issued and paid up capital is SR 250 million as at 30 September 2021 consisting of 25 million shares of SR 10 share (31 December 2020: same). At 31 December 2020, corresponding to 16 Jumada Al-Ula 1442H, shareholders of the Company resolved to transfer their shares to Al Kifah Holding Company, the ultimate Parent Company. At 2 March 2021, corresponding to 18 Rajab 1442H, the Company received no objection certificate from SAMA for the change in shareholding structure. Legal formalities in this respect has been completed during the period.

The interim condensed financial statements of the Company as of 30 September 2021 were authorised for issuance on 27 October 2021 (corresponding to 21 Rabi'I 1443H).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the nine-month period ended 30 September 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

2.1 Basis of measurement

These interim condensed financial statements have prepared on historical cost basis, except when otherwise disclosed in the accounting policy adopted.

2.2 Presentation and functional currency

The presentation and functional currency of the Company is Saudi Riyal.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations applied for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Novel coronavirus (“COVID-19”)

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company’s management to revisit its significant judgments in applying the Company’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company’s management carried out an impact assessment on the overall Company’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. As of the issuance date of these interim condensed financial statements, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	<i>30 September 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Gross investment in Islamic finance receivables	1,807,506,706	1,168,016,782
Less: unearned finance income (see below 5.1)	(297,392,596)	(207,377,512)
Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)	1,510,114,110	960,639,270
Less: allowance for expected credit loss on Islamic finance receivables	(51,889,137)	(28,913,912)
Net investment in Islamic finance receivables	1,458,224,973	931,725,358

Analysed as below:

	<i>30 September 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Net investment in Islamic finance receivables, non-current	860,234,521	539,544,935
Net investment in Islamic finance receivables, current	597,990,452	392,180,423
	1,458,224,973	931,725,358

- 5.1 The Company’s implicit rate of return on investment in Islamic finance receivables is in the market rate range. These receivables are majorly secured against assets, personal guarantees, Kafala program and down payments. The Company’s major activities for investment in finance receivables are in tawarroq and ijarah.
- 5.2 Investment in Islamic finance receivables mainly include Ijara and Tawarroq contracts amounting to SR666 million and SR 893.7 million respectively (31 December 2020: SR 589.09 million and SR 578.93 million respectively).
- 5.3 The contractual rights and the titles of certain assets subject to the financing arrangements of Islamic finance receivables are under the name of Al Kifah Trading Company (a fellow subsidiary) amounting to SR 7.03 million (31 December 2020: SR 8.7 million). The fellow subsidiary waived its rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

- 5.4 At 30 September 2021, ijarah receivables include the Company's repossessed assets inventory for contracts having outstanding receivables amounting to SR 623.5 thousand (31 December 2020: SR 772 thousand).
- 5.5 As at 30 September 2021, investment in Islamic finance leases includes SR 146.45 million of balances due from related parties (31 December 2020: 121.44) (Note 6).
- 5.6 During the nine-month period ended 30 September 2021, the Company entered into a Musharaka agreement with a financial institution. The total amount of Musharaka Capital is SR 110 million with a proportionate share of 80% to be contributed by the financial institution and 20% by the Company. As at 30 September 2021, the Company has received SR 50 million from the financial institution with the remaining share to be received during Q4 2021. The Company has transferred an equivalent amount of investment in Islamic finance receivables against the amount received as of 30 September 2021.

6 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholder and entities controlled, jointly controlled or significantly influenced by Parent Company (affiliates). Pricing policies and terms of payments of transactions with related parties are approved by the Company's management. Following is the list of related parties of the Company:

<i>Names of related parties</i>	<i>Nature of Relationship</i>
Al Kifah Holding Company	Parent Company
Al Kifah Trading Company	Fellow subsidiary
Al Kifah for Building Material Company	Fellow subsidiary
Al Kifah for Construction Equipment	Fellow subsidiary
Al Kifah Contracting Company	Fellow subsidiary
Al Motaweroon company	Fellow subsidiary
Al Kifah Real Estate Company	Fellow subsidiary
Al Kifah Paper Products Company	Fellow subsidiary
Al Kifah Precast Company	Fellow subsidiary
Al Kifah holding company branch	Fellow subsidiary
Al Kifah Information Technology	Fellow subsidiary

Following are the details of the major related party transactions occurred during the period:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
		<u>Nine-months period ended 30 September</u>	
		<u>2021</u>	<u>2020</u>
		SR	SR
<u>Shareholder</u>			
Al Kifah Holding Company	Amount collected against Islamic finance receivables	(9,929,054)	(4,062,172)
	Financing	-	9,600,000
	Value added tax paid on behalf of the Company	3,819,490	949,437
	Services provided	2,866,537	107,775

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
		<u>Nine-months period ended 30 September</u>	
		<u>2021</u>	<u>2020</u>
		<u>SR</u>	<u>SR</u>
<u>Fellow subsidiaries</u>			
Al Kifah Contracting Company	Amount collected against Islamic finance receivables	(2,970,052)	-
	Financing	9,200,000	-
	Services provided	-	345,550
Al Kifah for Building Material Company	Financing	500,000	9,600,000
	Amount collected against Islamic finance receivables	(8,506,046)	(6,688,493)
Al Kifah for Construction Equipment	Financing	15,000,000	-
	Heavy machinery and equipment sales financed by the Company	39,197,757	13,213,865
	Amount paid against machinery and equipment financed	(44,028,051)	(42,340,600)
Al Kifah Trading Company	Management fees received by the Company	-	(60,000)
Al Kifah Real Estate Company	Amount collected against Islamic finance receivables	(3,925,605)	(2,489,583)
	Financing	4,500,000	2,962,000
	Amounts paid against services	(2,745,951)	(1,482,473)
	Services provided	1,248,527	294,374
Al Kifah Paper Products Company	Services provided	6,052	14,938
	Amounts paid against services	(16,255)	
	Amount collected against Islamic finance receivables	(4,412,594)	(2,458,333)
	Financing	4,500,000	2,990,000
Al Kifah Precast Company	Amount collected against Islamic finance receivables	(4,323,218)	(2,458,333)
	Financing	4,500,000	2,990,000
Al Kifah Information Technology Company	Information technology fee	1,862,240	266,893
	Amounts paid against services	(1,332,791)	(105,248)
Almotaweroon International Company	Financing	16,550,000	-
	Amount collected against Islamic finance receivables	(2,228,889)	-

TAMWEEL AL OULA COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of amounts due from/to related parties are as follows:

Amounts due from related parties - (presented under net investment in Islamic finance receivables note):

	<i>30 September</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
Al Kifah Real Estate Company	28,534,362	26,890,881
Al Kifah Paper Products Company	28,181,186	26,889,449
Al Kifah Precast Company	28,091,807	26,889,449
Al Kifah for Construction Equipment	15,000,000	-
Al Motaweroon international company	14,919,273	-
Al Kifah for Building Material Company	12,172,442	19,503,791
Al Kifah Contracting Company	11,709,114	4,722,391
Al Kifah holding company branch	7,839,648	16,547,204
	<u>146,447,832</u>	<u>121,443,165</u>

Amounts due to related parties - (presented under current liabilities):

	<i>30 September</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
Al Kifah for Building Material Company	1,525,000	3,863,886
Al Kifah Holding Company	643,044	953,037
Al Kifah Information Technology Company	131,406	-
Al Kifah Trading Company	39,361	319,968
Al Kifah Real Estate Company	28,416	1,525,840
Al Kifah Contracting Company	11,830	155,250
Al Kifah Paper Products Company	-	14,938
	<u>2,379,057</u>	<u>6,832,919</u>

Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	<i>Nine-months period</i> <i>ended 30 September</i>	
	<i>2021</i> <i>SR</i> <i>(Unaudited)</i>	<i>2020</i> <i>SR</i> <i>(Unaudited)</i>
Short-term employee benefit	1,302,415	626,966
Post-employment benefits	176,018	81,944
	<u>1,478,433</u>	<u>708,910</u>

TAMWEEL AL OULA COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

7 LOANS AND BORROWINGS

	<i>30 September</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
<i>Loans and borrowings</i>		
SAMA support program (note 7.1)	885,881,924	458,843,525
Tawaruq financing (note 7.2)	191,343,449	155,984,016
Social development bank financing (note 7.3)	85,338,127	74,346,936
Less: Modification gain on deferment (note 7.1)	(16,350,637)	(6,465,222)
Net loans and borrowings	1,146,212,863	682,709,255
	<i>30 September</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
Analyzed as follows:		
Non-current portion	721,550,829	394,518,316
Current portion	424,662,034	288,190,939
	1,146,212,863	682,709,255

7.1 During 2020, the Company has signed an agreement with SAMA for deferred payments program and received profit free deposits amounting to SR 175.6 million. The Company further received a deposit of SR 131.79 million during the period ended 30 September 2021. The Modification gain on deferment includes an amount of SR 12.74 million during the period ended 30 September 2021 (30 September 2020: SR 5.99), which is recorded under revenue from operations in the statement of profit or loss and other comprehensive income. Further, during 2020, the Company has obtained additional funds from SAMA under loan guarantee program amounting SR 308.18 million to finance its activities, additional SR 404.23 million were obtained during the period ended 30 September 2021. The loans are repayable in equal monthly instalments commencing from October 2021 with the final instalment due in August 2024. SAMA deferred payments program and loan guarantee program are carried at fair value using internal rate of return equivalent to the prevailing market rate.

7.2 The Company obtained Tawaruq financing facilities from local commercial banks to finance the purchase of assets for leasing services. Part of Tawaruq loans are short-term and repayable within a year, however, management intends, and has the discretion to rollover the obligation amount for twelve months after the reporting period under the existing loan facility accordingly, management presented the extendable loan amount under non-current portion of loans and borrowings. The loans payable within next 12 months are presented as current liability. Tawaruq loans carry financial charges at prevailing market borrowing costs plus SIBOR. These Tawaruq loans are secured by promissory notes issued by the shareholders. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. The Company had no breach of covenants during the period.

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7 LOANS AND BORROWINGS (continued)

7.3 The Company obtained long-term loans from a governmental agent to finance the purchase of assets for leasing services for small and medium sized entities ("SMEs"). During 2020, the Company signed agreements with Social Development Bank ("SDB") to defer all due instalments from March 2020 to April 2021 and a grace period for 6 months for a new loan obtained during the period. The loans are repayable in equal monthly instalments commencing from January 2019 with the final instalment due in March 2024. Accordingly, the portion of the loan payable before 1 October 2022 has been classified under current liabilities.

The loans agreements do not include any covenant to maintain financial ratios during the loans period. The loans are not subject to any interest charges; however the loans carry transactions costs which are amortised as part of the finance costs over the duration of the loans. Social Development Bank financing are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

The loans received by the Company from SDB carry special commission at rates significantly lower than the currently prevailing market rates. These loans carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" loans obtained by the Company has been identified and accounted for as "government grant" and has initially been recorded as income and such benefit is being recognised in statement of comprehensive income of the Company.

8 SAMA SUPPORT PROGRAMS AND INITIATIVES

Deferred payments program

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs") as per Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 31 December 2021, and increasing the facility tenors accordingly. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SR 28.51 million out of which SR 20.07 million has been recorded in the current period, which have been presented as part of net financing income. During the nine-month period ended 30 September 2021, SR 17.51 million (2020: SR 8.44 million) has been charged to the statement of income relating to unwinding of modification losses.

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(CONTINUED)

At 30 September 2021

8 SAMA SUPPORT PROGRAMS AND INITIATIVES (continued)

Deferred payments program (continued)

The Company generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Company continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves.

In order to compensate the related cost that the Company is expected to incur under the SAMA and other public authorities program, the Company has received in aggregate SR 307.5 million of profit free deposit in number tranches from SAMA, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 20.6 million which has been recognised in the statement of income. The management has exercised certain judgements in recognition and measurement of this grant income.

Funding for lending program:

The Company has received SAR 33.17 million from SAMA for granting credit facilities to eligible MSMEs under Funding for Lending program. The funding received qualified for the government grant treatment. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 2.1 million, of which SR 683.5 thousand has been recognized in the statement of income for nine-months period ended 30 September 2021 (2020: SR 816.5 thousand).

The management has exercised certain judgements in the recognition and measurement of above modification loss, gain and government grant.

Loan guarantee program (Kafala)

The Company has also participated in SAMA's facility guarantee programs. The Company has received SR 679.2 million from SAMA for providing concessional financing to eligible MSMEs under Facility Guarantee program. As the guarantee under the Kafala program form integral part of the financing arrangement; therefore, the funding received from SAMA does not qualify for government grant and is recognized as financial liability under IFRS 9, The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with financial instruments requirements. This resulted in a total income of SR 45.78 million, of which SR 10.7 million has been recognized in the statement of income for nine-months period ended 30 September 2021 (30 September 2020: SR 2.78) and with the remaining amount deferred.

9 RISK MANAGEMENT

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders.

No changes were made in objectives, policies or processes for managing capital during the nine-month period ended 30 September 2021.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 30 September 2021

9 RISK MANAGEMENT (continued)

Capital management (continued)

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to not exceed aggregate financing to equity (capital and reserves) ratio of three times. However, during the year, the Company has obtained exemption from SAMA to exceed the three times ratio limit.

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Aggregate financing to equity ratio (Total financing (net investment in Islamic finance receivables) divided by total shareholders' equity)	<u><u>5.02 times</u></u>	<u><u>3.53 times</u></u>

Until 30 September 2021, the Company had approval from SAMA to have financing to equity ratio up to 6 times. The Company has obtained an approval from SAMA valid until 31 March 2022 to allow the Company to have a financing to equity ratio up to 5 times. The Company is in process to take necessary steps in order to comply with the applicable financing ratio valid until 31 March 2022.

10 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the nine-months period ended 30 September 2021 .